Diversity and Team Performance: the US Music Industry

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ABSTRACT

A significant amount of research has been carried out to investigate the existing bonds between team characteristics and team outcomes in contexts of social creativity. Specifically, how work group diversity affects its performance is of great relevance but unfortunately, there is no clear understanding of the diversity-performance relationship. Therefore, to improve our understanding of this phenomenon, it would be worthwhile to investigate further empirical settings. For this reason, we decided to study the music industry that, to our knowledge, has never been chosen as empirical setting for the application of the theoretical constructs linked to the topic of team diversity and performance. Our research aims at analyzing the US music industry to study the relationship between team diversity in job-related characteristics and team performances.

Keywords:

Team diversity; team performance; music industry

Introduction

At the very beginning, creativity has mainly been examined by scholars on the basic principle that "it is generated by very talented individuals, gifted with a great imagination" (Glynn, 1996). Along with this perspective, previous studies focused on how ideas are generated and suggested that individuals are able to come up with a novel idea when they are naturally provided with a great intellectual ability or some other qualities that enable them to find innovative solutions (Glynn, 1996).

Even though extant studies on creativity primarily stress the individual perspective (Cahill *et al.*, 1996), more recently, a large number of scholars have addressed the attention toward the importance of social factors as key contingencies to study and understand creativity (Amabile, 1996). Based on these recent studies, the idea of social creativity has been introduced to explain the creative outcome resulting from the interaction between two or more individuals (Flemingo *et al.*, 2007).

Creative industries rely on an organization of the work based on a temporary approach through which human and non-human resources are pulled together on a short-term basis (see, e.g., Meyerson, Weick & Kramer's 1996 work on motion picture film crews). Similarly, the work of such teams is characterized by a limited time horizon. As a consequence, people continuously look for new projects to join. This leads to a constant process of (re)combination of skills and competencies to reach valuable outcomes that researchers have started to investigate only recently.

A significant amount of research has been carried out to investigate the existing bonds between team characteristics and team outcomes in contexts of social creativity. Specifically, the effect of team diversity has been analyzed as firms become increasingly diverse and organizations start relying on cross-functional teams to handle complex and demanding issues. How work group

diversity affects its performance is becoming ever more relevant but unfortunately, there is no clear understanding of the diversity-performance relationship. Indeed, nearly all dimensions of diversity that have been analyzed and researched have provided mixed results, with negative, positive or nonsignificant relationships with performance. Therefore, to improve our understanding of the relationship between diversity and performance, it would be worthwhile to investigate further empirical settings, and especially to focus more directly on those specific characteristics of members' prior experience that are especially likely to affect performance of the creative task.

Among all creative industries, the music sector seems to be appropriate for investigating the work of temporary teams in creative projects, because a new mixture of team members – and close, creative collaboration among them – is required for most recording projects. Indeed, music consumers usually love when their favourite artists work in duet with other favourites, as sales performances and international music awards confirm. Similarly, new artists can profit from the collaboration with famous artists in order to emerge in the music arena. Nevertheless, the music industry is one of the most competitive sectors, and each artist, producer or label must compete to create the highest value. Finally, the music industry presents all the features to be classified as a sector where cooperation and competition mechanisms coexist in explaining the competitors' behaviours.

The music industry has been chosen only infrequently as empirical setting for examining team performance in creative industries (see Bougon, Wieck & Binkhorst, 1977, for an interesting exception). Therefore, our study adds a relatively less-examined context to the existing work on creative teams. Moreover, our research focuses on those specific, job-related characteristics of team members, such as projects completed to date and length of time in the industry, where experience and diversity are most likely to contribute to the success of creative collaborations. Thus, these specific characteristics were chosen because of their pertinence with our objective.

CONCEPTUAL BACKGROUND AND HYPOTHESES

Key concepts

Team diversity

Diversity is continuously increasing within organizations because of the need of acting inside and outside one's primary domain of work (Jackson, May, and Whitney, 1995). Simultaneously, organizations are implementing work teams with greater frequency in order to integrate the knowledge of workers across broad specializations (Sundstrom, Demeuse, and Futrell, 1990). By combining two of the most significant phenomena in the work place (diversity and work teams), organizations are attempting to achieve more innovative and higher performance.

Understanding the complexity of these phenomena is important for those researching how diversity among group members affects group outcomes. Recent reviews on the effects of diversity in work groups (Jackson *et al.*, 1995; Milliken and Martins, 1996; van Knippenberg and Schippers, 2007) have contributed to our understanding of diversity in work teams, developing a vision of diversity as a "double-edged sword". Moreover, studies focused on diversity in work groups have revealed that it can result in higher quality solutions together with a decrease in team cohesion (Milliken and Martins, 1996; McLeod and Lobel, 1992; O'Reilly, Caldwell, and Barnett, 1989). Nonetheless, other studies on this topic have showed inconsistency when compared to the preexisting results. Therefore, no clear and conclusive results are accounted for (Cohen and Bailey, 1997).

Team diversity mirrors the level of differences among the people working together in a team (Harrison and Klein, 2007). Diversity can be given by differences connected with demographic characteristics (age, gender, ethnicity), job-related characteristics (background, tenure, industry experience) and also with psychological traits, such as personality, attitude or even values.

The differences related to demographic variables can be linked to team performance both in a positive and negative way (Tsui and Gutek, 1999; van Knippenberg *et al.*, 2004). The concept that demographic diversity can improve the performance of a team derives from the informational diversity-cognitive resource perspective which points out that distributional differences can be used as indicators of available knowledge and opposing points of view (Cox and Blake, 1991; Williams and O'Reilly, 1998). Therefore, a more diverse team, in terms of demographic variables connected to the task, can prove more successful than a homogeneous team since it can provide different perspectives and a wider spectrum of knowledge.

Starting from this insight, Pelled (1996) divided work group diversity in terms of high job-related and less job-related attributes, where job relatedness is the degree to which the attribute includes experiences, skills and perspectives which can be connected to cognitive work tasks. Since job-relatedness can describe whether a type of diversity is capable of increasing performance, it is deemed to be potentially important. Diversity attributes, such as functional, educational, or industry background, capture experiences and perspectives significant for the tasks most work groups perform (Pelled, 1996). On one side, some scholars (Sessa and Jackson, 1995; Milliken and Martins, 1996) propose that this type of diversity has a significant and stronger impact on the task-relevant group processes and performances. On the other side, diversity attributes such as age, gender and race register a minor impact on the group's task (Pelled, 1996; Pelled *et al.*, 1999). Although these attributes may reflect a broader set of experiences, they are expected to be less related to the work being performed. As suggested by Zenger and Lawrence (1989), "Although age similarity may produce similarity in general attitudes about work... such attitudinal similarity is unlikely to have much direct bearing on conversations about technical work." Instead, these attributes form the context of more general social relationships and are less directly associated with team objectives (Sessa and Jackson, 1995).

There has been some empirical support for Pelled's (1996) classification. For example, a study conducted by Simons *et al.* (1999) argued that high job-related elements of diversity, such as the educational level, company tenure and perceptions of environmental uncertainty, interact with debate to influence top management. On the contrary, elements that are less job-related, such as age diversity, do not achieve similar outcomes. Therefore, debate can impact team outcomes especially when it is based on a set of different experiences and points of view relevant to tasks, rather than on other differences.

Hypotheses

Work experience

Work experience is most often conceptualized in quantitative terms, reflecting either the time or the amount of experience (Tesluk and Jacobs, 1998). Time indicators operationalize work experience as the length of time spent performing a job or task, whereas amount indicators operationalize work experience as the opportunity to perform or the number of times a task has been performed (Quinones *et al.*, 1995). For example, an artist with 5 years of experience and 1 album realized is clearly substantially different from an artist with 3 years of experience and 3 albums realized.

Therefore, each of the quantitative indicators relates to relevant components of work experience that are likely to affect a person's performance in a team. Moreover, members of a team that have a stronger working experience or have already had the possibility of performing in the industry are likely to have gained more substantial job-specific knowledge and, therefore, should be more ready to focus their attention of team-specific issues in order to boost performance in an interdependent team setting.

For these reasons, we propose:

H1: A team's total work experience, in terms of time, will be positively related to team performance.

H2: A team's total work experience, in terms of amount, will be positively related to team performance.

The interaction between these two quantitative indicators of work experience diversity will indicate whether these constructs are complements or substitutes in affecting team performance (Siggelkow, 2002). If they are complements, the interaction should demonstrate an additional, meaningful impact on team performance above and beyond their individual effects. Indeed, the combination of time and amount of work experience represents the concentration and length of a member's relevant experience. And according to Gioia and Poole (1984), the experience of performing more and over a longer time should further reinforce the relevant knowledge that is necessary to facilitate performance. On the other hand, the length of work experience time and the number of projects work experience are closely related diversity constructs that could well be substitutes. That is, as one increases the effect of the other on performance will decrease; essentially, either one can produce the same performance result. We thus propose the following competing hypotheses:

H3a: The interaction between the team's time diversity and number of projects diversity for work experience is positively related to team performance.

H3b: The interaction between the team's time diversity and number of projects diversity for work experience is negatively related to team performance.

Intrapersonal Functional Diversity

The diversity represented by the functional background of each team member, defined as functional diversity, refers to the measure in which team members are narrow functional specialists with prior

experience in a restricted range of functions, or are broader generalists whose work experiences cover a wide variety of functional domains. It is our firm belief that such a conceptualization of functional diversity is bound to promote significant implications for team performance.

To our knowledge, there have been no attempts to empirically examine the significance of intrapersonal functional diversity for teams, but few attempts have been made to examine its significance for individual managers (Campion, Cheraskin, and Stevens, 1994; Hitt and Tyler, 1991). Moreover, according to Burke and Steensma (1998), intrapersonal functional diversity is important not only for individuals, but also for management teams. Indeed, management teams, composed of people with wide-ranging functional backgrounds, will have broader "dominant logics" (Prahalad and Bettis, 1986) and will be less inclined to decision-making biases such as escalation of commitment and overconfidence. These propositions have not been directly tested, but some studies are showing support for this intuition. For example, Rulke (1996) found that teams of MBA students, formed using a functional generalist selection strategy, performed better at a management simulation exercise than teams formed using a functional specialist selection strategy. Based on these notions, we propose:

H4: The total intrapersonal functional diversity of a team will be positively associated with team performance.

METHODS

Sample and Data Collection

Our empirical study is based on an analysis of the commercial results obtained by 1074 albums in the U.S. music industry over the years 2000–2014. We focused on the U.S. market because its role in shaping the music industry is undisputed. Indeed, U.S. music sales grew by 0.8% to total $ 4.47 billion in 2013, accounting for 30% of global trade revenues (IFPI, 2014). These data affirmed

America's dominant position as the world's largest music market with its nearest rival, Japan, experiencing a sharp 16.7% decline to total $ 3.01 billion.

The sample for this study was collected from two publicly available sources: Billboard.com and MusicBrainz.com. From Billboard, we collected data on the "Top 200" chart position obtained by each album every week over the period considered. From MusicBrainz, we collected information on: team size, projects completed by each team member, years of experience in the industry for each team member, number and type of functional roles covered by each team member, genre of the album, release date of the album, label behind the production of the album, and the label's main activity.

We first collected weekly album chart data from the trade magazine Billboard which generated a dataset of 15,197 unique album titles. We then used the online service MusicBrainz to collect data about the teams involved in the production of these albums. Team data is only available for a subset of the albums, however, primarily because most producers and labels do not make the publication of these data a priority. Out of the albums in the original dataset, only 1,378 (approximately 9 %) offer detailed data about the constitution of the teams involved in production.

We checked for sample bias based on the albums' release dates as well as the albums' peak positions during their chart tenures, in order to ensure that the 1,378 albums in our sample are representative of the original 15,197 albums that were charted during the period. This analysis showed that that there was no bias based on chart entry date, but we did find a bias based on album peak position. In order to reduce this bias, we did a random re-sampling of the 1,378 albums which reduced the sample size to 1,074 albums which is the dataset that has been used in the analysis.

There are a large number of individuals with a diverse set of roles involved in a major album project. In this study we focused on those individuals who are immediately involved in the composing, arranging, and recording of the musical work, and we therefore excluded individuals

involved in marketing, accounting, packaging, distribution, etc. The team data collected from MusicBrainz assigns a "role label" to each individual who is listed as part of the project team. While we recognize that there may be some ambiguity in the interpretation of these roles, we nevertheless identified a number of labels that we consider to meet the criteria we have set out for the analysis. The following 23 labels have been used in the study: Engineer, Composer, Sound, Mix, Producer, Mix-DJ, Conductor, Chorus master, Vocal, Recording, Lyricist, Instrument, Remixer, Mastering, Instrument arranger, Orchestrator, Vocal arranger, Performing orchestra, Audio, Arranger, Programming, Performer, and Writer.

Measures

Dependent Variable

Album score. The team performance variable has been calculated using the Top 200 weekly charts published by Billboard every Saturday from 2000 to 2014. Specifically, we decided to assign a score for each album in the chart calculating the sum of the inverse numbers for every position obtained by the album in the time frame considered. For example, if an album has been ranked for three weeks in the 2nd, 5th and 10th position, the score will be the sum of 1/2 + 1/5 + 1/10. Thus higher scores correspond to greater album performances over the analyzed period. Many studies have been using the number of weeks in chart as variable to analyze (Bhattacharjee *et al.*, 2007; Klein and Slonaker, 2010). We decided to include other information in order to measure the commercial performance of an album over time. Indeed, we decided to combine weeks in chart with position in chart to measure the quality of the performance in addition to the length.

Independent Variables

Intrapersonal functional diversity. Intrapersonal functional diversity has been measured by Bunderson and Sutcliffe (2002) in their work on the intrapersonal functional diversity score for top

management teams. Thus, considering their approach we operationalize the independent variable as follows:

$$\sum_{i=1}^{n}(1-\sum_{J=1}P_{ij}^{2})/n$$

where P_{ij} is the proportion of member *i*'s total years spent in role *j*, and n is the number of the team members. Because we are unable to find information on time spent in each function, according to previous studies (Cannella *et al.*, 2008), we weight each team member's roles equally. Finally, we normalize the measure so that it ranges from 0 (low intrapersonal functional diversity) to 1 (high intrapersonal functional diversity).

Experience-time diversity. Following an approach recommended by Allison (1978) for numeric variables, we used the coefficient of variation (standard deviation divided by the mean) to measure experience diversity both in terms of years spent in the industry and in terms of projects completed. Thus, to assess experience-time diversity within teams, we divided each team's standard deviation of years of experience by the team's average number of years of experience.

Experience-amount diversity. Similar to the approach above described, we assessed experience amount-diversity within teams by dividing each team's standard deviation of projects completed by the team's average number of projects completed.

Control variables

Major label. A binary variable that is set to 1 if the distributing label for a given album is one of the major companies operating in the music industry (Universal, Warner, Sony). A value of 0 denotes independent and smaller music labels. We consider this variable to have an impact on the success of music albums because, as shown by Goodley (2003), the major labels alone release about 30,000 albums annually and only a small fraction of the albums released are profitable and achieve the success indicated by appearing in the top charts (Seabrook 2003).

Release date. As shown by Montgomery *et al.* (2000), success of music albums might also be impacted by their time of release. Specifically, industry figures show that a large number of albums are released during the Christmas holiday period. To control for the holiday effect, we include a series of variables for each month. We prefer to use a variable for each month rather than a binary variable because we want to understand if there are other periods of the year which might have an impact on chart's positions in addition to Christmas time.

Genre. The likelihood of entering in a really famous chart as Billboard could also depend on music genre on the premise that the artistic content of an album might vary across genres. For example, one could argue that a country album is less likely to enter in the Billboard chart because country music is typically less popular among end-users. Thus, we compute a binary variable that is equal to 1 if genre is ascribable to popular music (pop and rock); 0 otherwise. Similar studies on other creative industries have considered this variable as control (Cattani and Ferriani, 2008)

Label Type. A binary variable that is set to 1 if the distributing label for a given album is primary focused in the activity production rather than other activity. A value of 0 denotes what is called "imprint" activity. When a label is strictly a trademark or brand, not a company, then it is usually called an "imprint". An imprint is sometimes marketed as being a "project", "unit", or "division" of a record label company, even though there is no legal business structure associated with the imprint.

Team size. Research on group behaviour and performance has established that group size matters in order to explain group processes and outcomes (Goodman, Ravlin, and Argote, 1986). For this reason, we decided to control for *team size* since larger teams are typically associated with larger projects and it is important to control for any possible relationship between size and performance.

Total Team Projects. It is important to have the fundamental, "non-diversity" team variables in the equation for each type of diversity for which we are trying to measure an effect. For this reason, we control for the total number of projects joined by the teams.

Total Team Years. Following the approach above described, we control for the total number of years of experience of each team involved in our study.

Year. We control for the effect of all unobserved factors (e.g., macroeconomic trends, changes in taste or fashion, and other factors that might affect the music industry) by including dummies for each year of the study period into the model.

Analysis

The hypotheses were tested using an ordinary least squares regression statistical model. We regressed album score on the control variables, main effect variables, and the interaction term in sequential steps.

The model can be described as following:

Album score = α_i + β_1(Experience-Diversity Time) + β_2(Experience-Diversity Amount) + β_3(Intrapersonal Functional Diversity) + β_4(Experience-Diversity Time)*(Experience-Diversity Amount) + β_5(Major Label) + β_6(Label Type) + β_7(Team Size) + β_8(Genre) + β_9(Total Team Projects) + β_{10}(Total Team Years) + Year dummies + Month dummies + ε_i

Results

Table 1 shows the correlations among all predictors, outcomes, and control variables. Table 2 shows our regression results.

Insert Table 1 about here

We performed several checks on the correlational properties of the data before testing our hypothesis. First, we reviewed the correlations among the independent variable shown in table 2. The median correlation magnitude (absolute value) was .06, and the correlation with the greatest magnitude was .32. As noted by Tsui et al. (1995), "There is no definitive criterion for the level of correlation that constitutes a serious multicollinearity problem. The general rule of thumb is that it should not exceed .75." Similarly, Kennedy (1979) indicated that correlations of .8 or higher are problematic. As a second check, we examined the variance inflation factor (VIF) of each independent variable. The largest VIF in our regressions was less than 5.5, a sign that multicollinearity was not a problem (Guo et al., 1996).

As described earlier, the hypotheses were tested using an ordinary least squares regression statistical model. Using the F-test, we determined the significance of the model used. Indeed, with a p-value of zero to four decimal places, the model is statistically significant.

Table 2 shows the results of the regression with album score as the dependent variable. In model 1 we regressed the dependent variable album score on the control variables. Model 2 adds the impact of the main effect variables. Finally, model 3 includes the interaction term for the analysis of the quantitative time experience diversity effect on team performance.

Insert Table 2 about here

Unexpectedly, the relationship between experience diversity expressed in terms of time and team performance is not significant (H1). Indeed, the coefficient is positive but not significant. This suggest that others predictors might be the key diversity drivers of team performance.

H2 states that experience diversity in terms of amount would have positive associations with team performance. This hypothesis is not supported for experience-amount diversity, which has a positive relationship with team performance but not significant.

The interaction term between experience diversity in terms of time and experience diversity in terms of amount shows a significant and negative relationship with team performance (beta = -177.39, $p < .05$). H3b is then supported indicating that experience in length of time and experience in numbers of projects are substitutes rather than complements (Siggelkow, 2002) in their interactive effect on an album's chart performance. In Figure 1 we plot this interaction using the guidelines of Jaccard, Turrisi and Wan (1990). Figure 1 shows that for our data, at high experience length of time values increasing, experience number of projects actually reduces album chart performance, but at low experience length of time values increasing, experience number of projects improves an album's chart performance.

Insert Figure 1 about here

H4 states that intrapersonal functional diversity would be positively associated with team performance. This hypothesis is supported and intrapersonal functional diversity has a significant positive relationship with team performance (beta = .71, $p < .01$).

DISCUSSION

This study investigated the relationship between job-related diversity characteristics and team performance, specifically focusing on quantitative work experience and intrapersonal functional diversity. The results partially supported the hypotheses stating that these job-related diversity characteristics were positively associated with team performance in terms of scores obtained by musical albums in the US music market. Thus, diversity within teams appeared to have an impact

on overall team performance but further investigations are required to provide a more accurate explanation of the phenomenon.

The findings in the study were consistent with other attempts at addressing diversity at team levels (Pelled, 1996, Cannella et al., 2008). While most past research has addressed the impact of top management teams' diversity on firm performance, this research clearly extends the results to creative teams that are less stable and uncertain work groups. Moreover, the research also extends the study of the relationship between team diversity and team performance to an original and unexplored empirical setting, the music industry.

LIMITATIONS

There are important limitations in this study that need to be addressed. First, the sample is drawn from the US market and the results may not be generalized to other countries were people might have different musical tastes and preferences. Future research is needed to address the diversity of teams and its impact on team performance for other industry markets, especially those that are not similar from a cultural point of view.

Second, given the research approach used in the present study it is impossible to determine whether the diverse members actually do significantly differ in their behaviour compared to non-diverse members. In order to understand behavioural differences other approaches such as participant observations and ethnography of creative teams are needed.

Finally, the regression analysis in this study suggests that there is a linear relationship between team diversity and team performance. Future research is needed to understand if non-linear relationships might exist in order to provide a more complete insight on the topic.

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APPENDIX

Table 1. *Correlations among Study Variables*

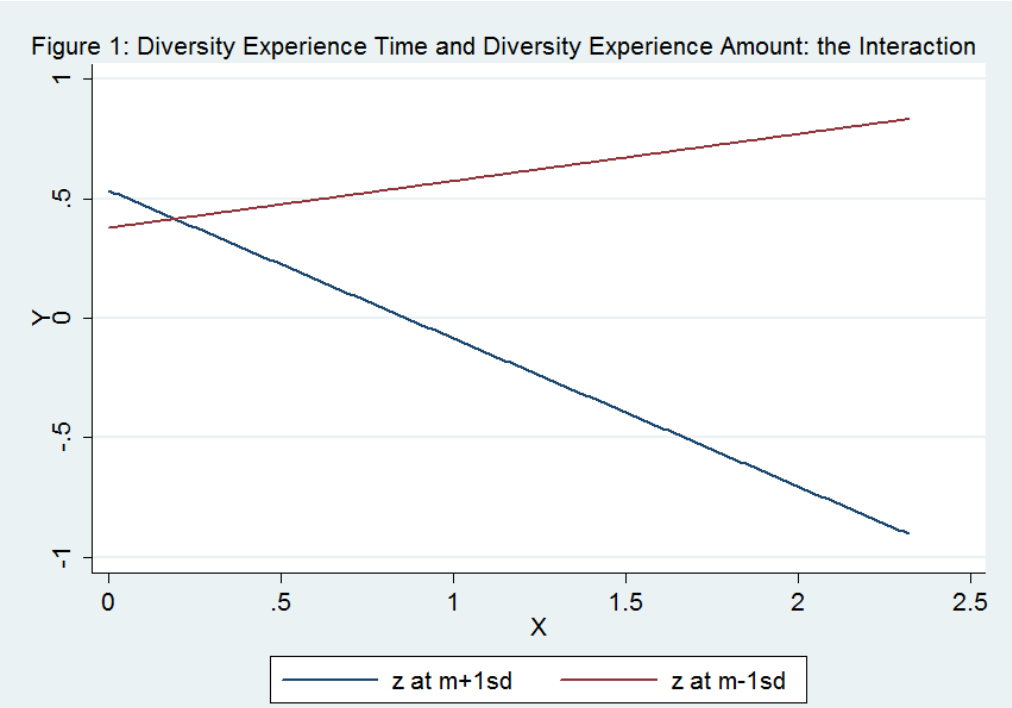
	Album Score	Diversity Experience Amount	Diversity Experience Time	Intrapersonal Functional Diversity	Team Size	Major Label	Label Type	Genre
Album Score	1							
Diversity Experience Amount	0.0279	1						
Diversity Experience Time	-0.00804	-0.0284	1					
Intrapersonal Functional Diversity	0.0919**	0.323***	0.0358	1				
Team Size	0.160***	0.233***	0.325***	0.248***	1			
Major Label	0.0929**	0.0257	-0.0365	-0.0231	0.0133	1		
Label Type	0.00339	-0.0702*	0.0778*	0.0501	0.0194	-0.181***	1	
Genre	-0.0732*	0.0455	-0.0482	-0.0180	-0.0772*	0.0995**	-0.0804**	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 2. *Ordinary Least Squares Regression Results: Equations with Album Score as Dependent Variable (N = 1074)*

	(1) Album Score	(2) Album Score	(3) Album Score
Team Size	-.0105708	-.0087558	-.0036178
Major Label	.1973646	.2020465	.1791212
Label Type	.0686821	.0435473	.0407017
Genre	-.2162163*	-.2033204	-.2099622
Total Team Projects	.0194437***	.0212895***	.0196141***
Total Team Years	-.008138**	-.0107073**	-.0118895***
January	Omitted	Omitted	Omitted
February	.4518147	.4984691	.4904103
March	.3167021	.3659332	.4178858
April	-.1388604	-.106201	-.0642317
May	.5077547	.5276542	.5107842
June	.2806973	.3599073	.3617614
July	-.2824591	-.2568266	-.2624891
August	-.0711906	-.0604157	-.0520493
September	.2684081	.2949438	.2995923
October	.1212596	.1290547	.1282864
November	.2481191	.2268282	.2268375
December	.3156014	.2849466	.3034162
2000	Omitted	Omitted	Omitted
2001	-.1125948	-.1715621	-.0838567
2002	.3867778	.3404052	.4452884
2003	-.2083247	-.264354	-.1379791
2004	.0132269	-.0483092	.0507844
2005	-.4408333	-.5681332	-.4722543
2006	-.4153438	-.4769636	-.4007979
2007	-.4664049	-.5272491	-.4247398
2008	-.3202955	-.3933828	-.2538227
2009	-.7987251	-.8196324	-.7206
2010	-.6514833	-.6678565	-.5436431
2011	-.6098834	-.5894341	-.4410726
2012	-.3912848	-.3735684	-.2473907
2013	-.6738532	-.6760172	-.4999829
2014	-.6838941	-.6434332	-.4954756
Diversity Experience Amount		-.3393888*	.4504223
Diversity Experience Time		-46.46538	34.3596
Intrapersonal Functional Diversity		.7426899**	.7191538**
ExpTime*ExpAmount			-177.3962*
Constant	.7615995	.7959417	.32724
R-squared	.0997938	.1090856	.1147891
N. of cases	1074	1074	1074

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$



X= Diversity Experience Amount

Y= Album Performance

Z= Diversity Experience Time